Pradhan Mantri Fasal Bima Yojana [PMFBY] Prospectus

Objective of the Scheme

Pradhan Mantri Fasal Bima Yojana (PMFBY) aims at supporting sustainable production in agriculture sector by way of -

a) providing financial support to farmers suffering crop loss/damage arising out of unforeseen events
b) stabilizing the income of farmers to ensure their continuance in farming
c) encouraging farmers to adopt innovative and modern agricultural practices
d) ensuring flow of credit to the agriculture sector; which will contribute to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.

Coverage of Farmers

1. All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. However, farmers should have insurable interest for the notified/ insured crops. The non-loanee farmers are required to submit necessary documentary evidence of land records prevailing in the State (Records of Right (RoR), Land possession Certificate (LPC) etc.) and/ or applicable contract/ agreement details/ other documents notified/ permitted by concerned State Government (in case of sharecroppers/ tenant farmers).
2. Compulsory Component
   All farmers availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions (i.e. loanee farmers) for the notified crop(s) would be covered compulsorily.
3. Voluntary Component
   The Scheme would be optional for the non-loanee farmers

Coverage of Crops

1) Food crops (Cereals, Millets and Pulses),
2) Oilseeds
3) Annual Commercial / Annual Horticultural crops

Coverage of Risks and Exclusions

1. Following stages of the crop and risks leading to crop loss are covered under the scheme.
   a) Prevented Sowing/ Planting Risk: Insured area is prevented from
   b) sowing/ planting due to deficit rainfall or adverse seasonal conditions
   c) Standing Crop (Sowing to Harvesting): Comprehensive risk insurance is provided to cover yield losses due to non- preventable risks, viz. Drought, Dry spells, Flood, Inundation, Pests and Diseases, Landslides, Natural Fire and Lightening, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane and Tornado.
   d) Post-Harvest Losses: coverage is available only up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field after harvesting against specific perils of cyclone and cyclonic rains and unseasonal rains.
   e) Localized Calamities: Loss/ damage resulting from occurrence of identified localized risks of hailstorm, landslide, and Inundation affecting isolated farms in the notified area.
2. General Exclusions: Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.

Sum Insured/ Coverage Limit

1. Sum Insured per hectare for both loanee and non-loanee farmers will be same and equal to the Scale of Finance as decided by the District Level Technical Committee, and would be pre-declared by SLCCCI and notified.

No other calculation of Scale of Finance will be applicable. Sum Insured for individual farmer is equal to the Scale of Finance per hectare multiplied by area of the notified crop proposed by the farmer for insurance. 'Area under cultivation' shall always be expressed in 'hectare'.

2. Sum insured for irrigated and un-irrigated areas may be separate.

Premium Rates and Premium Subsidy

1. The Actuarial Premium Rate (APR) would be charged under PMFBY by implementing agency (IA). The rate of Insurance Charges payable by the farmer will be as per the following table:

S. No.	Season	Crops	Maximum Insurance charges payable by farmer (%of Sum Insured)
1	Kharif	All food grains and Oilseeds crops (all Cereals, Millets, Pulses and Oilseeds crops)	2.0% of 51 or Actuarial rate, whichever is less
2	Rabi	All food grains and Oilseeds crops (all Cereals Millets, Pulses and Oilseeds crops)	1.5% of 51 or Actuarial rate, whichever is less
3	Kharif and Rabi	Annual Commercial/ Annual Horticultural crops	5% of 51orActuarialrate, whichever is less

2. TSU (Technical Support Unit) shall calculate Loss Cost (LC) i.e. Claims as % of Sum Insured (SI) observed in case of the notified crop(s) in notified unit area of insurance during the preceding 1 0 similar crop seasons (Kharif/ Rabi) (AIC shall act as TSU till an Independent agency Technical Support Unit (TSU) in place) based on the latest available yield data in month of February for Kharif crops and August for Rabi crops as per requirement of the States and shall provide to DAC & FW/ Concerned States on request before invitation for premium bidding. This calculation to be done by AIC on behalf of Ministry is for internal purposes to have information on the approximate cost to the IA for covering the risks so as to evaluate the bids in proper perspective.

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3. Payment of Government Subsidy:
   a) The difference between actuarial premium rate and the rate of Insurance charges payable by farmers shall be treated as Rate of Normal premium Subsidy, which shall be shared equally by the Centre and State. However, the State/ UT Governments are free to extend additional subsidy over and above the stipulated subsidy from its budget. In other words, additional subsidy, if any shall be entirely borne by the State/ UT Government. Subsidy in premium is allowed only to the extent of Sum Insured.
   b) Government premium subsidy to the Private empanelled Insurance Companies may be routed through Agricultural Insurance Company (AIC) of India Limited strictly as per the guidelines/ order of the Government. It may be reviewed later and changed accordingly if felt necessary. Accordingly, AIC is empowered to call/ collect all requisite information related to implementation of the Scheme and utilization of Government funds and to share/ disseminate the same among the concerned insurance companies and Governments for better planning, implementation and monitoring of the scheme.
   c) Government (both Central and States) may release 50% of the total estimated premium subsidy to empanelled insurance companies at the beginning of crop season on the basis of business projection to be submitted by each insurance company subject to fulfillment of General Financial Rule/ guidelines in the matter.

Service Tax

PMFBY is a replacement scheme of NAIS/MNAIS, and hence exempted from Service Tax.

Insurance Act,1938, Section 41-Prohibition of Rebates

1. No person shall allow or offer to allow, either directly or indirectly as an inducement to any person to take out or renew or continue an insurance in respect of any kind or risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy, accept any rebate except such rebate as may be allowed in accordance with the prospectuses or tables of the Insurer
2. Any person making default in complying with the provisions of this section shall be liable for a penalty, which may extend to Ten Lakh rupees.

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